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By the Regulatory Commission of Alaska on Jan 11, 2024

From:	White, John D (RCA)
To:	RCA Records & Filing
Subject:	FW: TA148-63
Date:	Thursday, January 11, 2024 9:53:01 AM

R&F,

Could you please enter the below into the record for TA148-63, Response to Staff questions,

Thank you,
John

From: Monica Grassi <mgrassi@aldrichadvisors.com>
Sent: Thursday, January 11, 2024 9:41 AM
To: White, John D (RCA) <john.white1@alaska.gov>
Cc: Amber Miller <amiller@aldrichadvisors.com>
Subject: RE: TA148-63

Good Morning John,

Please see responses in BLUE below. Should you have any questions or need additional information please let us know.

1. Please provide an explanation or details of the $288,852 reported as inventory (fuel and materials) as listed on Lince 12 of schedule 12, schedule of 13 month average rate base. The $288,852 of Inventory (fuel and materials) includes the 13-month average materials inventory of $224,817 plus the 13-month average fuel inventory of $64,034, as calculated on Sch 18. Materials inventory includes power line inventory, spare parts inventory, oil products inventory, and house wire inventory. As described in Ms. Miller's direct testimony on page 42, Q/A 70, no adjustments were made to inventory balances during the year to reflect purchases and use of inventory items. At year-end, a true up was posted to adjust year end balances to actual. Since RBROR was not used in the study, we did not attempt to adjust the inventory balances to reflect more accurate 13-month average balances.

2. Has Gwitchyaa Zhee calculated a revenue requirement using a "traditional" rate base rate of return methodology, and if so, please provide the return on equity, debt cost, and Debt to equity which would be necessary to achieve an equal or similar return to the proposed Operating ratio. (this is for staff review purposes as an illustrative comparison between a RBROR Roe and the OR of .90). No, we have not made this calculation. GZU currently has no debt and is 100% equity funded. As we were not proposing the use of RBROR, no determination of an appropriate ROE was made, nor was an adjusted rate base calculated for use in an RBROR calculation. Specifically, the Rate Base after Pro Formas, calculated on Sch 12, was not adjusted for the impacts of other pro forma adjustments on the working capital requirement nor for accurate 13-month average inventory balances (see response to 1, above).

3. Is pro-forma adjustment #8, Accounting expense adjustment in addition to Adjustment #4's payroll Expense adjustment? What are the duties of "outside accounting services", and will the new expense be replacing a current position or expense? The additional accounting services expense are in addition to GZU's payroll expenses, as adjusted in PF 4. During the test year, GZU employed one individual who handled day-to-day accounting activity, payroll, billing, and customer service. The workload was excessive, which contributed to issues with accounting procedures (for example, inventory practices described in 1 above, issues with fixed asset accounting and recordkeeping as described in Ms. Miller's testimony, etc.). GZU's board and management determined that a change needed to be made to appropriately handle the workload and allow GZU's office employee to focus primarily on billing and customer service. With that in mind, GZU hired an outsourced accounting service provider with experience in the utility industry to handle the day-to-day utility accounting, fixed asset accounting and recordkeeping, year-end adjustments, and financial statement preparation. After the RRS was filed, the contract was modified to include payroll services and the contract fee was increased by $500/month. The new expense does not replace a current position or expense.

Thank you,

Monica

Monica Grassi
Utility Consultant

Aldrich CPAs + Advisors LLP
P: (907) 750.2150 • F: (907) 522.2127

Web • LinkedIn • Twitter

From: White, John D (RCA) <john.white1@alaska.gov>
Sent: Wednesday, January 10, 2024 1:09 PM
To: Monica Grassi <mgrassi@aldrichadvisors.com>
Subject: TA148-63

This message originated from outside your organization.

Good afternoon Monica,

Below are a few questions I have regarding TA148-63.

1. Please provide an explanation or details of the $288,852 reported as inventory (fuel and materials) as listed on Lince 12 of schedule 12, schedule of 13 month average rate base.
2. Has Gwitchyaa Zhee calculated a revenue requirement using a "traditional" rate base rate of return methodology, and if so, please provide the return on equity, debt cost, and Debt to equity which would be necessary to achieve an equal or similar return to the proposed Operating ratio. (this is for staff review purposes as an illustrative comparison between a RBROR Roe and the OR of .90).
3. Is pro-forma adjustment #8, Accounting expense adjustment in addition to Adjustment #4's payroll Expense adjustment? What are the duties of "outside accounting services", and will the new expense be replacing a current position or expense?

If its feasible, I would like to request a response by COB on Friday the 12th. If more time is needed, please let me know.

Thank you,
John

907-263-2122